**Country/Regional Studies: Europe**

The European Union (EU) is the largest regional export market for the United States aerospace industry[1] (although Japan is the largest individual country market). Combined exports of the U.S. aerospace industry to France, the United Kingdom, and Germany account for 20.9 percent of total U.S aerospace exports.[2] European aerospace companies also produce the full range of aerospace products and services, from large civil aircraft, to satellites, to subassemblies and components. As a result, European firms are both important partners as well as competitors for U.S .firms. As is the case with the U.S. aerospace industry, the global economic downturn has affected the EU aerospace industry. However, economic fundamentals are in place for continued long-term growth. There is significant variety in the ownership structure of European major suppliers. Several major suppliers still have significant government ownership. The European Aeronautic Defense and Space Company (EADS), for example, benefits from partial French and Spanish state ownership as well as other public shareholders.

On June 30, 2010, a World Trade Organization (WTO) dispute settlement panel publicly released a decision finding that EU member state governments' provision of launch aid, and certain other kinds of financial support to Airbus (a subsidiary of EADS), was at odds with WTO subsidies rules. The panel found that the launch aid had the effect of displacing U.S. aircraft sales in Europe and certain third country markets and contributed to significant lost sales of U.S. aircraft in the U.S. market. In addition, the panel found that UK, German and French launch aid provided in connection with the Airbus A380 is a prohibited subsidy, in as much as it was contingent on export performance. The EU and the U.S. each filed appeals, seeking a reversal of certain aspects of the panel's decision (in the case of the U.S., it argued, among other things, that the panel erred in finding certain launch aid not be to *de facto* export contingent). In a separate WTO dispute, the EU charged the U.S. with providing subsidies to Boeing that are inconsistent with WTO rules. A WTO panel was expected to issue a confidential ruling by mid-September 2010 on EU claims leveled against $20 billion in aid to Boeing.[3]

Individual member states of the European Union are free to shape their own aerospace policies. Recognizing the advantage of a unified aerospace policy that would facilitate enhanced competition, particularly with the United States, the EU has taken steps to strengthen the coherence of its regional aerospace market. In the July 2002 Strategic Aerospace Review for the 21st Century (STAR 21) report, the European Advisory Group on Aerospace developed several recommendations. They included: (1) coordinated efforts to increase access to world aerospace markets, particularly through advocacy for changes to Buy America practices and convergence in export control policies; (2) mobilization of region-wide public and private research funds to launch a coordinated, long-term civil aerospace research strategy; (3) a shift of authority from individual member state specific aerospace policy makers to a more unified structure, including wider roles for the European Aviation Safety Agency and advocating for membership of the EU in the International Civil Aviation Organization (ICAO) alongside member states; and (4) consolidation of aerospace defense research

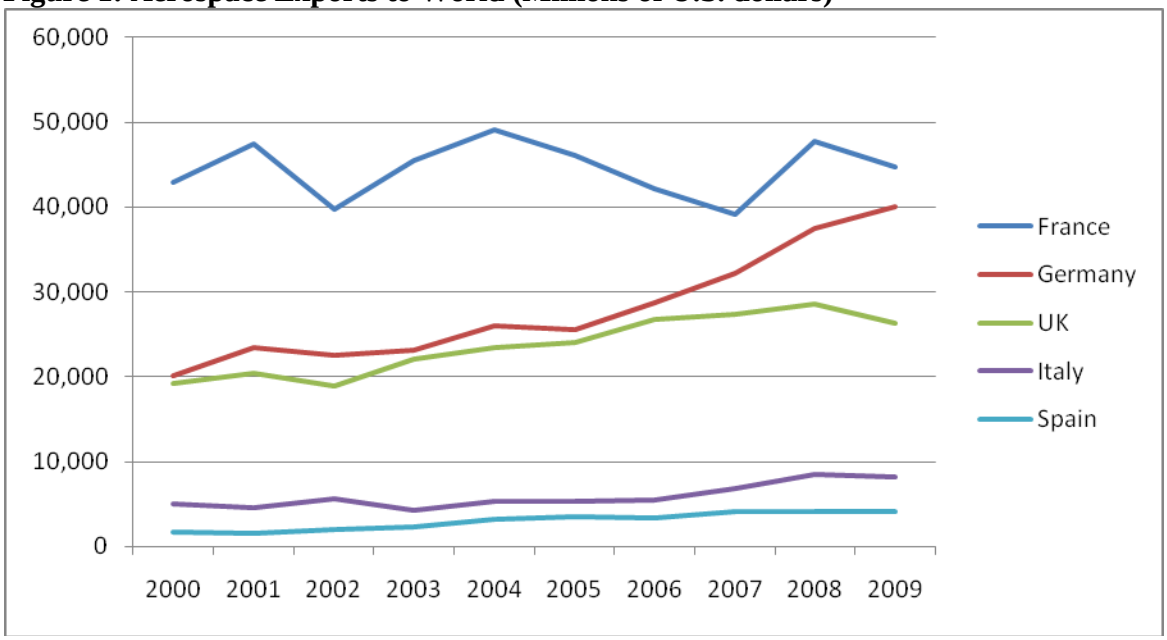
[1] For purposes of this report, statistical comparisons of trade data were made using 2009 data, which is the most current available for all markets considered.

[2] http://trade.gov/wcm/groups/internet/@trade/@mas/@man/@aai/documents/web_content/aero_stat_top20exp.pdf.pdf

[3] *Flightplan* text was prepared in early September 2010.

and acquisition policies among member states. The EU and its member states are continuing to implement these recommendations today.

**Figure 1: Aerospace Exports to World (Millions of U.S. dollars)**




Source: Eurostat.

## Country Profiles

### France

The French aerospace industry is the largest in Europe, with 2009 exports of over $44.7 billion (in 2009 dollars).[4] The French aerospace industry employed approximately 134,000 people in 2009.[5] Despite the 2009 economic crisis, the long-term outlook for the French aerospace industry remains generally positive, characterized by continued revenue growth, record orders, and a stable industry workforce.[6] In the civil aerospace sector, the Airbus A380 and Dassault Falcon 7X entered into service in 2007 and the A350XWB, Falcon SMS, and Falcon 2000 LX programs were launched.[7] There was also a significant rise in telecommunications satellite orders.

### Germany

[4] Eurostat data. This data is also available from the World Trade Atlas, published by Global Trade Information Services, Inc. (WTA), which is a secondary electronic source based upon the Eurostat data. See http://www.gtis.com/wta.htm. Accessed March 22, 2010.
[5] Groupment des Industries Francaises Aeronautiques et Spatiales (GIFAS). 2008/2009 Annual Industry Report. || Accessed March 23, 2010. http://www.gifas.asso.fr/en/pages.php?tab=facts__figures&sub=4.
[6] Ibid.
[7] Groupment des Industries Francaises Aeronautiques et Spatiales (GIFAS). French Aerospace Industry Digest, 2009 Edition || Accessed March 25, 2010. http://www.gifas.asso.fr/en/pages.php?tab=publications__reports&sub=2.

The German aerospace industry is the second largest in Europe, with 2009 exports of $40.1 billion[8] and 2009 employment of 93,000.[9] In general, the outlook for the German aerospace industry remains positive, with gains in the civil and military aviation sectors driving growth. Specifically, current Airbus A380 and Eurocopter helicopter production, coupled with future production of the Airbus A350XWB are driving strong civil aviation sales. In the military aviation sector, increased production of the Eurofighter and the Tiger and NH90 military helicopters are driving export sales growth. Aerospace revenue gains are sustained by Germany's continued emphasis on research and development expenditures, which are greater on a percentage of sales basis than in other EU member countries.[10] In 2008, civil aviation made up 67.2% of all German aerospace industry revenue (62,011 employees), defense and security accounted for 25.4% of revenues (20,267 employees) and the space industry accounted for 7.4% of revenues (6,136 employees).[11] Major challenges include the lack of consolidation among German aerospace suppliers, and the need for more qualified engineers to fill manufacturing jobs.[12]

**United Kingdom**

The UK aerospace industry is the third largest in Europe, with 2009 exports of $26.4 (in 2009 dollars).[13] UK aerospace sector growth is due primarily to the maintenance, repair and overhaul (MRO) market, which is driven by increasing demands for air travel.[14] The UK is home to several of the world's leading aerospace companies, including BAE Systems PLC and Rolls-Royce PLC. In addition, U.S. aerospace companies such as Boeing, Honeywell, Raytheon, Rockwell Collins, and Lockheed Martin also maintain a presence in the UK. According to the Society of British Aerospace Companies (SBAC), UK aerospace companies directly employ 112,585 people, plus 40,091 people located in the United States.[15]

One of the primary challenges facing the UK aerospace industry is the impact of an appreciating British currency against the U.S. dollar which has compelled some UK aerospace producers, such as Rolls-Royce, to move production and other activities abroad to dollar-denominated locations. Further appreciation of the British pound will likely expand and accelerate the trend of outward mobilization

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[8] Eurostat data. This data is also available from the World Trade Atlas, published by Global Trade Information Services, Inc. (WTA), which is a secondary electronic source based upon the Eurostat data. See http://www.gtis.com/wta.htm. Accessed March 22, 2010.

[9] German Aerospace Industries Association (BLDI) Homepage. || Accessed March 23, 2010. See http://www.bdli.de/en/.

[10] U.S. Commercial Service Market Research Library: May 2008 German Aerospace Industry Update. Available at: http://www.export.gov/mrktresearch/index.asp.

[11] German Aerospace Industries Association (BLDI), 2009 Aerospace Industry Report: Accessed March 24, 2010 (available only in German) http://www.bdli.de/images/stories/brochures/BDLI_Jahresbericht2009.pdf.

[12] U.S. Commercial Service Market Research Library: May 2008 German Aerospace Industry Update. Available at: http://www.export.gov/mrktresearch/index.asp.

[13] H.M Customs and Excise data for Harmonized Tariff System (HTS) 88 ―Aircraft, Spacecraft.‖ This data is also available from the World Trade Atlas, published by Global Trade Information Services, Inc. (WTA), which is a secondary electronic source based upon the H.M. Customs and Excise data. See http://www.gtis.com/wta.htm.

[14] United Kingdom: An Overview of the Aerospace Market, U. S. Department of Commerce, April, 2006, available at http://www.buyusainfo.net/docs/x_7389140.pdf

[15] SABC UK Aerospace Industry Survey 2009 available at http://www.sbac.co.uk/pages/24059849.asp#aGroup_2

across the UK aerospace industry. Other challenges facing the UK aerospace industry include consolidation of SME manufacturers in order to enable them to better compete globally.

## Italy

The Italian aerospace industry is the fourth largest in Europe, with 2009 worldwide exports of $8.2 billion.[16] The Italian aerospace industry, which employed approximately 38,000 people as of 2008, is generally open to cooperation with the U.S. aerospace industry.[17] Major players in the Italian aerospace industry include Finmeccanica, which is the country's largest engineering and aerospace/defense group. Finmeccanica manufactures helicopters, military aircraft, defense systems, satellites, and is also an energy producer and builder of generation and transmission components, boilers, turbines, cogeneration plants, desalination plants, and nuclear power plants.[18] Telespazio, a Finmeccanica joint venture, is involved in satellite management and navigation, and broadband multimedia telecommunications.[19] Fiat Avio SpA is the country's major manufacturer of aircraft propulsion systems. Fiat Avio has partnerships with Pratt & Whitney, GE Aviation and Rolls-Royce for the production of aircraft engines.[20]

## Spain

Spain's aerospace industry is the fifth largest in Europe, with 2009 exports of $4.1 billion[21] and 2009 employment of over 40,000 workers.[22] The Spanish aerospace industry is dominated by three manufacturers. Airbus Military (formerly called EADS CASA) is Spain's largest aerospace company and is a world leader in light and medium-sized military aircraft. Airbus Military is also a supplier of aerodynamic surface components for the Boeing 737, 757 and 777.[23] Aeronova (formerly called Gamesa Aeronautica) designs, develops, and manufactures major subassembly structures for a number of large civil aircraft.[24] Indra Sistemas S.A. is Spain's leading producer of electronic defense equipment.[25] Industria de Turbo Propulsores S.A. (ITP) designs, produces and provides maintenance repair and overhaul services for a variety of aircraft engines and gas turbine compressors.[26] The outlook for Spain's aerospace industry remains positive in the long term, as continued sales growth by EADS-affiliated aerospace companies carries over to the industry in general.

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[16] Eurostat data. This data is also available from the World Trade Atlas, published by Global Trade Information Services, Inc. (WTA), which is a secondary electronic source based upon the Eurostat data. See http://www.gtis.com/wta.htm.
[17] http://www.aerospacemeetings.com/the-aerospace-industry-in-piemont-and-italy.php
[18] Hoover's Company Records – In Depth Company Record Finmeccanica SpA.
[19] Telespazio website: http://www.telespazio.it/profile.html
[20] Outline of the Italian Aerospace Industry, U.S. Department of Commerce, available at http://www.buyusainfo.net/docs/x_9518011.pdf.
[21] Eurostat data. This data is also available from the World Trade Atlas, published by Global Trade Information Services, Inc. (WTA), which is a secondary electronic source based upon the Eurostat data. See http://www.gtis.com/wta.htm.
[22] Spanish Association of Defense, Aeronautics and Space Companies: http://www.tedae.org/View/page/informacion-general
[23] http://www.eads.net/1024/en/casa/casa.html
[24] http://www.aernnova.com/user/en/index.php.
[25] Hoover's Company Records – In Depth Company Record Indra Sistemas S.A.
[26] http://www.itp.es/index.php